Zacks Small-Cap Research

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# TowerJazz (TSEM-NASDAQ)

**TSEM: Nishiwaki Powers Growth in Asia; OUTPERFORM**

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | Neutral |
| Date of Last Change | 02/23/2012 |
| Current Price (05/18/12) | $0.82 |
| **Target Price** | **$2.00** |

## OUTLOOK

TowerJazz is a pure-play semiconductor wafer foundry with two IC plants in Israel and one in California, that manufacture SiGe, MEMS, RF, embedded flash-based memory, analog/mixed-signal, and CMOS image-sensor devices. Over the past year the firm has been building capacity due to accelerated design-win momentum, which have been realized within a large group of diversified, global customers, many of which being market share and technology platform leaders for their respective markets. The recent acquisition of the Micron Technology FAB plant is powering growth in Asia. We see value in the shares and reiterate our outperform rating.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.29** |
| **52-Week Low** | **$0.61** |
| **One-Year Return (%)** | **-35.94** |
| **Beta** | **1.72** |
| **Average Daily Volume (sh)** | **378,982** |
| **Shares Outstanding (mil)** | **318** |
| **Market Capitalization ($mil)** | **$261** |
| **Short Interest Ratio (days)** | **1.59** |
| **Institutional Ownership (%)** | **3** |
| **Insider Ownership (%)** | **1** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **29.5** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **1.6** |
| **P/E using 2012 Estimate** | **1.6** |
| **Zacks Rank** | **3** |

| | |
|---|---|
| **Risk Level** | **Moderate** |
| **Type of Stock** | **Small-Blend** |
| **Industry** | **Elec Comp-Semic** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2009 | 58 A | 61 A | 80 A | 101 A | 297 A |
| 2010 | 114 A | 126 A | 135 A | 135 A | 509 A |
| 2011 | 121 A | 140 A | 176 A | 175 A | 611 A |
| 2012 | 168 A | 167 E | 195 E | 200 E | 730 E |

**Earnings per Share**
(Non-GAAP)

| | Q1 (Mar) | Q2 (Jun) | Q3 (Sep) | Q4 (Dec) | Year (Dec) |
|---|---|---|---|---|---|
| 2009 | -$0.02 A | $0.03 A | $0.07 A | $0.11 A | $0.19 A |
| 2010 | $0.13 A | $0.15 A | $0.15 A | $0.14 A | $0.55 A |
| 2011 | $0.11 A | $0.15 A | $0.14 A | $0.11 A | $0.52 A |
| 2012 | $0.10 A | $0.10 E | $0.14 E | $0.19 E | $0.53 E |

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## WHATS NEW

**Tower's Nishiwaki Plant Powers Growth in Asia**
On May 17, 2012, Tower Semiconductor Ltd., (TowerJazz) reported financial results for its first quarter, ended March 31, 2012. The Company reported solid first quarter revenues of $168.013 million, up 39% year over year from $120.620 million but down $6.571 million sequentially from $174.584 million for the three months ended December 31, 2011.

It should be noted that year over year first quarter growth significantly outperformed the foundry industry as a whole and firmly cemented Tower as the number one specialty foundry provider.

Still, Tower reported a first quarter 2012 GAAP net loss of $19.317 million, down year over year from a net loss $5.411 million for the first quarter 2012 and from a net loss of $16.701 million during the fourth quarter of 2011.

The year over year decrease in GAAP net loss was primarily due to lower margins.

Year over year, gross margin dropped sharply from 25.3 percent to 13.5 percent for the three months ended March 31, 2012.

Still, gross margin for the first quarter increased firmly from 10.1 percent for the three months ended December 31, 2011.

Based on a weighted average number of ordinary shares outstanding of 318.599 million, GAAP basic net loss per share resulted in a net loss of $0.06 per share during the first quarter of fiscal 2012. This compared to basic loss per ordinary share of $0.02 on a weighted average number of ordinary shares of 317.106 million during the three months ended March 31, 2011.

Still, non-GAAP first quarter 2012 gross profit was $58.754 million representing gross margin of 35 percent while non-GAAP net profit was $32.024 million.

This compares to Non-GAAP gross margin of 44 percent and a non-GAAP net profit of $31.524 million for the first quarter ended March 31, 2011.

Tower Semiconductor's balance sheet improved to $158.226 million in cash, short-term deposits and designated deposits and working capital of $124.702 million for the period ended March 31, 2012.

This compares to $101.149 million in cash, short-term deposits and designated deposits and working capital of $35.830 million for the period ended December 31, 2011.

The increase in cash, short-term deposits and designated deposits was driven by the creation of $34 million of positive cash flow from operating activities (excluding debt related payments) and $80 million from long term bonds fundraising, which was offset by $27 million of debt payments on account of principal and interest and $30 million of Cap-Ex investments.

Working capital improved mainly as a result of the $57.077 million increase in cash, short-term deposits and designated deposits and a $16.623 million decrease in trade accounts payable.

Similarly, the improved cash, short-term deposits and designated deposits and decrease in trade accounts payable helped improve Tower's current ratio to 1.61 as compared with 1.16 as of December 31, 2011.

Likewise, it is important to note that the Company engaged GE Capital for a $50 million credit line for the

Nishiwaki, Japan facility for loans at Libor + 2.6% per annum.

Management further stated that it continues to see increases in market share.

The Company's Nishiwaki, Japan factory met or exceeded all of Tower's forecasted metrics since the acquisition and management continues to anticipate the same trend happening throughout 2012.

Furthermore, the facility greatly expands Tower's geographic reach and distribution capabilities enabling the Company to take advantage of increased interfab efficiencies in manufacturing which resulted in a 2 percent sequential increase in gross margin in the first quarter 2012 over the fourth quarter 2011.

The Nishiwaki facility has also enabled and management believes will continue to empower significant growth throughout the Asia region.

In Korea, Tower has now grown from one image sensor customer in 2010 to over 40 active engagements.

In Japan, three tier-one integrated device manufacturers (IDMs) are now actively qualifying Tower's flows in the Nishiwaki, Japan factory with production targeted for the first half of 2013.

Along the same lines, one of these tier-one IDMs is doing multiple transfer projects.

Another Japanese IDM is in advanced stages of qualification at the Migdal Haemek, Israel facility and there have been pre-wafer engagements with a multiple number of other Japanese customers for manufacturing in Nishiwaki, Migdal Haemek or Newport Beach, California.

As a result, Tower anticipates fiscal 2012 second quarter revenues to be in the range of $163 million to $173 million.The guidance would represent just over a 20 percent year over year growth in revenues at the midpoint of the projected range for the quarter.

Furthermore, management foresees growing orders and strength in the second half of the year and continues to prepare operationally for that scenario.The Company anticipates continued growth at a double digit rate in 2012 as a whole and expects to continue to exceed industry growth.

Similarly, the Company continues to target a $1 billion annualized quarterly revenue run rate within the 2014 year.

Finally, management reiterated that a recently announced signed India MOU offers Tower a low cost entrance into an emerging market at the 300mm wafer size, 90nm analog technology and companion chips in deep submicron technologies (65-45nm), should the government accept the Company's proposal.

On April 23, 2012 TowerJazz announced the completion of the successful transfer of its CMOS image sensor (CIS) technology from its Migdal Haemek, Israel facility to its US fab in Newport Beach, California providing multi-sourcing to better address its customers' growing needs. TowerJazz's CIS process has already been running in high volume in its Israeli plants, and is now available in its Newport Beach, CA facility for customers that require on-shore manufacturing.

**Why it Matters**

The CIS process enables the customization of pixels according to project needs and its superior performance (dark current, low noise and dynamic range) enables a rich offering for various digital imaging applications. For example, TowerJazz's presence in the industrial sensor market is growing significantly with new applications such as fingerprint detection for homeland security, traffic monitoring cameras and others. Integration of TowerJazz's NMOS pixel with its 0.18 analog CMOS provides a US-based solution for specialty image sensors for aerospace and defense applications as well. In addition,

TowerJazz's patented stitching technology overcomes photolithography tool limitations to seamlessly tile 5.5-micron pixel sections into a large pixel array, resulting in ultra-high resolution, high-quality color image sensors. This technology enables manufacturing of die sizes up to a single die per 200-mm wafer.

The firm is now enjoying a substantial ramp in volume productions that were signed in the 2008-2009 time frame. In general the time frame from design win to volume production is a two year process. Design wins per quarter were approximately 50 per quarter in 2008, 75 per quarter in 2009, and 110 per quarter in 2010. The firm received a triple digit number of design wins in the past quarter, which will likely benefit the firm in 2012 and beyond.

On June 5, 2011 TowerJazz announced that it completed its previously announced acquisition of Micron Technology's fabrication facility in Nishiwaki City, Hyogo, Japan. The acquisitions will nearly double TowerJazz's current internal manufacturing capacity, increasing production by 60,000 wafers per month. The deal should also strengthen the company's presence in the Asia-Pacific region as it is likely IDM's in the area would want a partner close by. We feel the deal will help margins eventually, but perhaps not until 2013. 19.7 million shares for increasing your revenues by 80% is dilution we can live with. The first two years will operate with a cost plus model, which will allow the facility to be 80% utilized while the firm builds up a clientele. We feel this is a positive as new facilities can be a drain until the firm fills excess capacity.

**Foundry Landscape 2008-2010**

| ($M) | 2008 | | 2009 | | 2010 | |
|---|---|---|---|---|---|---|
| 1 | TSMC | 10,556 | TSMC | ,8989 | TSMC | 13,307 |
| 2 | UMC | 3,070 | UMC | 2,815 | UMC | 3,965 |
| 3 | Chartered | 1,743 | GlobalFoundries* | 2,641 | GlobalFoundries | 3,510 |
| 4 | SMIC | 1,353 | SMIC | 1,070 | SMIC | 1,555 |
| 5 | Vanguard | 511 | Dongbu | 395 | **TowerJazz** | **510** |
| 6 | Dongbu | 490 | Vanguard | 382 | Vanguard | 505 |
| 7 | X-Fab | 368 | **TowerJazz** | **299** | Dongbu | 495 |
| 8 | SSMC | 340 | SSMC | 280 | SSMC | 330 |
| 9 | HHNEC | 290 | HHNEC | 240 | X-Fab | 320 |
| 10 | **TowerJazz** | **252** | X-Fab | 212 | HHNEC | 295 |
| 11 | Grace | 230 | He Jian | 180 | Grace | 260 |
| 12 | He Jian | 195 | Silterra | 170 | WIN | 221 |
| 13 | Silterra | 175 | WIN | 145 | Altis | 215 |
| 14 | ASMC | 134 | Grace | 100 | He Jian | 205 |
| 15 | WIN | 117 | ASMC | 94 | Silterra | 200 |
| 16 | Mosel-Vitelic | 98 | XinXin | 55 | ASMC | 150 |
| 17 | XinXin | 20 | Mosel-Vitelic | 51 | Mosel-Vitelic | 80 |
| 18 | Altis | 0 | Altis | 0 | XinXin | 75 |
| 19 | - | - | - | - | - | - |
| 20+ | Others | 148 | Others | 171 | Others | 204 |

## INVESTMENT THESIS

Tower Semiconductor Ltd. operates as a global specialty foundry company. Its wholly owned subsidiary, Jazz Semiconductor, Inc., specializes in analog-intensive mixed-signal (AIMS) foundry solutions. Tower and Jazz manufacture integrated circuits with geometries ranging from 1.0 to 0.13-micron, as well as provide design enablement tools to allow complex designs to be achieved quickly and accurately. The company and its subsidiary offer a range of process technologies, including digital, mixed-signal and RFCMOS, HV CMOS, BCD, non-volatile memory (NVM), embedded NVM, MEMS, and CMOS image sensors. Tower and Jazz maintain two fabrication facilities in Israel, as well as one fabrication facility in the United States, with additional capacity available through manufacturing partnerships in China.

As of March 31, 2011, the firm held 197 patents in force in the United States and 33 patents in force in foreign countries.

**Foundry History**

Historically semiconductor firms (also called integrated device manufacturers or IDMs) manufactured chips in their own fabs (chip fabrication plant). By the 1990's as chips grew smaller and more complex it was a natural that fab less outsourced manufacturing began to emerge. Semiconductor devices are broadly divided into three categories—analog, digital and radio frequency (RF). Analog semiconductors condition and regulate real world information such as light, temperature, speed, pressure, power and electrical currents. Digital logic semiconductors process information in only two states. Mixed-signal semiconductors combine both analog and digital technology into a single device. Typically, an analog sensor samples real world information, and then converts the input into an electronic analog signal, which is converted into a digital format for further digital processing. The analog and mixed-signal markets tend to be more varied and specialized, with customized products that have longer life cycles than the digital industry segment. There is an ongoing drive to decrease the number of discrete devices, lessen power requirements and shrink the size of the existing devices, which correspondingly increase performance and reliability. Consequently, a greater amount of functionality is being consolidated into increasingly smaller devices

The availability of IC designs require process technologies other than standard digital CMOS have created a market for independent foundries that focus on providing specialized process technologies. Thus, wafer manufacturers may also need to make a significant investment in specialty process technologies to manufacture these semiconductors. Specialty process technologies enable greater analog content and can reduce the die size of an analog or mixed-signal semiconductor, thereby increasing the number of dies that can be manufactured on a wafer and reducing final die cost. In addition, specialty process technologies can enable increased performance, superior noise reduction and improved power efficiency of analog and mixed-signal semiconductors compared to traditional standard CMOS processes. These specialty process technologies include advanced analog CMOS, radio frequency CMOS (RF CMOS),CMOS Image Sensors (CIS), high voltage CMOS, bipolar CMOS (BiCMOS), silicon germanium BiCMOS (SiGe BiCMOS), and bipolar double-diffused metal oxide semiconductor (BCD).

**Specialized Markets, higher margin**
The company uses CMOS (complementary metal oxide semiconductor) IC technology within the semiconductor devices. Strategically, management has targeted the manufacture of embedded flash-based memory, analog/mixed-signal and CMOS image-sensor device markets. Management asserts that these targeted specialized markets produce relatively higher gross margins and have higher growth characteristics than the general industry. Embedded flash memory is non-volatile erasable memory used within MP3 players, wireless handsets, digital cameras, DVD players, set-top boxes and PCs. The analog/mixed signal ICs are used in a wide variety of end applications that include wireless handsets, PCs, DVD players, automotive electronics and medical imaging equipment. CMOS image sensors are used within wireless handsets, digital cameras, video cameras and video game consoles. Applications within the consumer market account for 50% of revenue, while communications was 15%, PC was 7%, multi-markets 18% and the combined industrial, medical and automotive the remaining 10%.

Some industries that will benefit from optical sensors include certain processing industries that can use sensors for controlling chemical formulations and temperatures. In the medical industry, the sensors will facilitate the development of novel imaging systems. The sensors will help the construction industry monitor the structural health of different buildings, bridges, and tunnels and facilitate the environmental industry in monitoring pollutants and contamination.
The multiplexing capability of optical sensors makes them an excellent candidate for structural health monitoring in aerospace applications where weight is a major consideration. Degradable polymer sensors are used to deliver antiviral drugs, pain and chemotherapy medications, and contraceptives. Universities and companies can use simulation equipment for their research and teaching needs. A range of basic and applied research programs are being conducted in aeropropulsion, space sciences, photonics, and materials technology

**Merger.**
Jazz semiconductor was formed as the result of a spin off in 2002 from Conexant (Conexant dates back to Rockwell Semiconductor). Jazz is the owner of the Newport Beach CA 200mm facility and several industry leading technologies such as SiGE, BiCMOS, and MEMS. We feel the merger is significant to Tower for the following reasons.

- The merger was done at a time when the rest of the industry was in survival mode.
- The customer base was doubled.
- Towerjazz is the lead in specialty higher margin foundry.




Diverse Customer Base (Source,Towerjazz)

The firm produces its products with its specialty process technology the designs are typically more complex than the manufacture of standard technology. This has the effect of drawing industry leading customers to the firm and makes it harder for them to leave for the competition.

**SiGe**

TSEM's BiCMOS process technologies have more features than RF CMOS process technologies and power various RF semiconductors such as wireless transceivers and television tuners. Towerjazz takes it a step further and incorporate high-speed bipolar transistors into an RF CMOS process. The equipment requirements for BiCMOS manufacturing are specialized and require enhanced tool capabilities to achieve high yield manufacturing. Towerjazz remains the only foundry in the world with multi-fab SiGE capacity.

**Power Management**

TSEM's high voltage CMOS and BCD process technologies have more features than advanced analog CMOS processes and are well suited for power and driver semiconductors such as voltage regulators, battery chargers, power management products and audio amplifiers.

With worldwide energy standards becoming more stringent, we are optimistic about Towerjazz technology. In particular, several new government standards are being enacted that will force new products to adopt newer technologies, displacing the inefficient legacy linear transformers. The standards imposed by the California Energy Commission (CEC) became mandatory for all external power supplies by July 2008. This is a critical event given that California is the seventh largest economy in the world and usually the pioneer in leading edge legislation that many other states usually adopt later. Washington State and Arizona have both since adopted the same California standard. China recently announced a new voluntary program similar to the Energy Star program and also adopted the California standards. The European Commission has set European standards for energy efficient external AC/DC power supplies that are even more stringent than the CEC standards, although it is initially on a voluntary basis. Australia not only adopted the CEC standards, but made compliance mandatory by April 2006. The current worldwide energy situation has created greater sensitivity to the burgeoning problem. TSEM integrated power products conform to these new standards. As customers begin to design-in integrated

power ICs that are in conformance with these new energy efficiency standards, the firm should be able to capitalize on the conversion.

## VALUATION

The firm appears undervalued when looking at several metrics.

**…Enterprise Multiple**

The enterprise multiple looks at a firm as a potential acquirer would, because it takes debt into account - an item which other multiples like the P/E ratio do not include. Enterprise value is calculated as market cap plus debt, minority interest and preferred shares, minus total cash and cash equivalents. The Firm's Enterprise multiple is 3.46x compared to 7.34x for the industry. **According to the enterprise multiple TSEM appears undervalued compared to industry.**

$$\text{Enterprise Multiple} = \frac{\text{Enterprise Value}}{\text{EBITDA}}$$

| Metric | TSEM | Industry Average |
|---|---|---|
| EV/EBITDA | 3.46 | 7.34 |

**…Two Stage Free Cash Flow to Equity Model**

**FCFE = Net Income - Net Capital Expenditure - Change in Net Working Capital + New Debt - Debt Repayment**

**Assumptions**

- The firm is expected to grow at a higher growth rate in the first period.
- The growth rate will drop at the end of the first period to the stable growth rate.

**Rationale for using the Model**
As the firm grows its top-line to $1 billion, we expect the firm to grow at a higher overall rate than the industry. As These products mature and the firm faces more competition we expect the growth rate to level off.

**Weakness of the Model**
As you add more layers to the model it is more sensitive to the assumptions you make. The growth may look more "lumpy" than we have it in the model.

**Output**
We used the following inputs:

- A 5-year period with an earnings growth rate of 8.0% and a discount rate of 13.50%.

- A continuing period assumed to go on forever, with earnings growing at 5% and a discount rate of 13.05%.

With these inputs we arrive at a price of $2.50

**According to the model, the firm appears undervalued.**

**…Price to Earnings Multiples/ Price to Sales Multiples**

Due to its simplicity the Price/Earnings ratio is easily the most widely used metric in all of finance. The first strength of the model is that it is intuitive. It is simply the price paid for current earnings. It can also act as a proxy for other firm characteristics such as risk and growth. There is a downside to the P/E ratio in that it has the potential to reflect investor's mood rather than the fundamentals of the firm. It also eliminates assumptions about risk, growth, and retention ratio (something discounted cash flow models account for.)

While not as popular as Price/Earnings or Price/BV, Price/Sales is not influenced by accounting decisions in depreciation, inventory and extraordinary charges. P/S multiples are much less volatile than P/E multiples. However if the problem with the firm lies in cost control the P/S ratio will not reflect this flaw.

**The firm appears undervalued compared to the industry.**

| Metric | TSEM | Industry Average |
|---|---|---|
| **P/E TTM** | 1.64 | 13.85 |
| **P/E 2012 (E)** | 1.55 | 11.86 |
| **P/S** | 0.40 | 2.23 |

*source for background on valuation models: Investment Valuation, Aswath Damodaran

Our price target of $2.00 per share is a blend of 2.65x our 2012 EPS estimate, our two stage model and the Enterprise Model. We would add shares at these levels. We were conservative in our model and assumed most of the diluted shares are converted. If the firm addresses this issue down the road one could argue for a higher valuation.

Perhaps the recent disconnect in the shares performance versus its operating results lies in the fact that the firm has capital notes and equity options that if converted could increase the number of shares outstanding to 550-600 million shares. (much higher if the capital notes are converted at 100%, capital notes are convertible to approximately 400 million shares) The notes along with some other equity options may be a medium term headwind for the firm, yet they were given at a time when the firm was questionable as a going concern and was hemorrhaging cash. What once saved the firm now may be holding it back. The notes can be negotiated or bought out, (likely at less than 100% dilution) but that seems to be a longer-term issue for the firm to tackle.

Our opinion is the firm is focused on getting to the $1 billion annual sales mark and will then turn its attention to improving the balance sheet. On October 10th 2011 TSEM announced that Jazz Technologies Inc. completed a voluntary transaction to early redeem the entire remaining $35,091,000 principal amount of its outstanding 8.00% notes originally due December 31, 2011. If not redeemed, the notes were convertible into Tower Semiconductor's shares. The company financed the early redemption through available cash on hand. This could be the first step toward addressing the share count/ balance sheet issue.

## PROJECTED INCOME STATEMENT

| INCOME STATEMENT ($ Millions) | Mar-11 Q1 11 | Jun-11 Q2 11 | Sep-11 Q3 11 E | Dec-11 Q4 11 | Mar-12 Q1 12 | Jun-12 Q2 12 E | FY 2007 | FY 2008 | FY 2009 | FY 2010 | FY 2011 | FY 2012 E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | | | | | |
| **Net Revenue** | **120.6** | **139.7** | **176.1** | **174.6** | **168.0** | **167.0** | **230.9** | **251.7** | **298.8** | **509.3** | **611.0** | **730.0** |
| *Sequential Growth* | | *16%* | *26%* | *-1%* | *-4%* | *-1%* | | | | | | |
| **OPERATING EXPENSES** | | | | | | | | | | | | |
| Cost of Revenues | 67.57 | 80.20 | 118.66 | 116.84 | 109.26 | 110.00 | 147.4 | 174.2 | 206.5 | 284.7 | 383.3 | 460.0 |
| *% of Revenue* | *56.0%* | *57.4%* | *67.4%* | *66.9%* | *65.0%* | *65.9%* | | | | | | |
| **Gross Profit -** | **53.0** | **59.5** | **57.5** | **57.7** | **58.8** | **57.0** | **83.5** | **77.5** | **92.3** | **224.5** | **227.7** | **270.0** |
| *Proforma Gross Margin* | *44.0%* | *42.6%* | *32.6%* | *33.1%* | *35.0%* | *34.1%* | *36.2%* | *30.8%* | *30.9%* | *44.1%* | *37.3%* | *37.0%* |
| R&D + Engg | 5.25 | 4.99 | 6.06 | 6.55 | 7.39 | 6.75 | 10.4 | 13.2 | 22.2 | 22.6 | 22.9 | 29.5 |
| *% of Revenue* | *4.4%* | *3.6%* | *3.4%* | *3.8%* | *4.4%* | *4.0%* | *4.5%* | *5.3%* | *7.4%* | *4.4%* | *3.7%* | *4.0%* |
| SG&A | 7.79 | 9.02 | 12.36 | 11.53 | 11.10 | 11.75 | 24.2 | 28.1 | 29.0 | 34 | 41 | 44 |
| *% of Revenue* | *6.5%* | *6.5%* | *7.0%* | *6.6%* | *6.6%* | *7.0%* | *10.5%* | *11.2%* | *9.7%* | *6.6%* | *6.7%* | *6.0%* |
| GW Amort, Restructuring, other | | *1.49* | | | | | - | - | - | | *1.49* | - |
| *% of Revenue* | | | | | | | | | | | | |
| Total Operating Expenses | 13.05 | 15.51 | 18.42 | 18.08 | 18.49 | 18.50 | 34.6 | 41.4 | 51.1 | 56 | 65 | 74 |
| *% of Revenue* | *10.8%* | *11.1%* | *10.5%* | *10.4%* | *11.0%* | *11.1%* | *15.0%* | *16.4%* | *17.1%* | *11%* | *11%* | *10%* |
| **Operating Income -** | **40.0** | **44.0** | **39.0** | **39.7** | **40.3** | **38.5** | **48.9** | **36.1** | **41.2** | **168** | **163** | **197** |
| *Operating Margin* | *33.2%* | *31.5%* | *22.2%* | *22.7%* | *24.0%* | *23.1%* | *21%* | *14%* | *14%* | *33%* | *27%* | *27%* |
| **NON-OPERATING ITEMS** | | | | | | | | | | | | |
| Non operating Income/Expense | -7 | 3 | 7 | -6 | -8 | -8 | -28.8 | -19.4 | -22.2 | -19 | -4 | -28 |
| *% of Revenue* | *-5.82%* | *1.90%* | *3.82%* | *-3.59%* | *-4.86%* | *-4.79%* | *-12.48%* | *-7.72%* | *-7.42%* | *-3.79%* | *-0.64%* | *-3.84%* |
| Tax Provision | 1.5 | 0.8 | 0.0 | -0.5 | 0.1 | 0.0 | 0.00 | 0.58 | -5.0 | 13 | 2 | 1 |
| *Effective Tax Rate* | | | | | | | | | | | | |
| **Net Income -** | **31.50** | **45.84** | **45.75** | **33.91** | **32.02** | **30.50** | **20.08** | **16.08** | **24.06** | **136.2** | **157.0** | **167.5** |
| *Net Income Margin* | *26.1%* | *32.8%* | *26.0%* | *19.4%* | *19.1%* | *18.3%* | *8.7%* | *6.4%* | *8.1%* | *27%* | *26%* | *23%* |
| **EARNINGS PER SHARE** | | | | | | | | | | | | |
| **EPS - Basic** | $0.11 | $0.15 | $0.14 | $0.14 | $0.10 | $0.10 | $0.17 | $0.12 | $0.19 | $0.55 | $0.52 | $0.53 |
| EPS - Diluted | $0.11 | $0.15 | $0.14 | $0.14 | $0.10 | $0.10 | $0.17 | $0.12 | $0.19 | $0.55 | $0.52 | $0.53 |

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## HISTORICAL ZACKS RECOMMENDATIONS




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